

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-01

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

SS-15 USIA-06 EB-07 TRSE-00 IGA-02 AID-05 AS-01

/082 W

-----033957 131138Z /14

R 130925Z JUL 77

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 8086

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

AMEMBASSY BRUSSELS

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USEEC

E.O. 11652: N/A

TAGS: ECIN, PFOR, ASEAN, US, SN

SUBJECT: US-ASEAN CONSULTATIONS

REFS: A) STATE 157461, B) STATE 158276

1. EMBOFF DISCUSSED UPCOMING US-ASEAN CONSULTATIONS ON JULY 12 WITH LEE CHIONG GIAM, DIRECTOR OF MFS-'S REGIONAL AND ECONOMIC DIVISION. LEE SAID THAT EITHER HE OR TAN BOON SENG, DIRECTOR OF POLITICAL DIVISION, WOULD HEAD THREE OR FOUR MAN GOS DELEGATION TO CONSULTATIONS.

2. ON THE CONSULTATIONS THEMSELVES, LEE SAID GOS HOPING FOR LIMITED OFFICIAL USE

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FRANK DISCUSSIONS WITH MINIMUM OF POSTURING, BOTH IN SEPTEMBER TALKS AND IN FUTURE US-ASEAN DIALOGUE. HE ASSUMES THAT US AND ASEAN WILL AGREE TO ESTABLISH A CONSULTATIVE GROUP ALONG THE LINES OF THOSE ESTABLISHED OR TO BE ESTABLISHED WITH OTHER COUNTRIES; I.E., ASEAN MISSION REPS IN WASHINGTON WOULD MEET PERIODICALLY WITH SELECTED USG OFFICIALS. LEE NOTED, INCIDENTIALLY, THAT ASEAN PLANS TO ASK CERTAIN EEC MEMBER COUNTRIES TO COOPERATE

IN CREATING SUB-GROUPS IN THEIR CAPITALS TO COMPLEMENT THE ASEAN-EEC CONSULTATIVE GROUP IN BRUSSELS.

3. ON THE AGENDA, LEE MENTIONED AS OF SPECIAL INTEREST TO GOS ITEMS ON US TAX DEFERRAL, GSP, MTN AND OTHER TRADE ISSUES AND INVESTMENT OPPORTUNITIES. HE SAID GOS WOULD BE RELUCTANT TO SUPPORT AN ASEAN DEMAND FOR US DEVELOPMENT ASSISTANCE AT THE CONSULTATIONS; IF FAR PREFERS TO DISCUSS TRADE MATTERS. GOS WILL BE PARTICULARLY INTERESTED IN EXPLORING WAYS OF INCREASING US INVESTMENT IN ASEAN AND ESPECIALLY IN SINGAPORE. IT WILL URGE US TO RETAIN TAX DEFERRAL PROVISIONS AND EVEN TO EXAMINE THE POSSIBILITY OF OTHER INVESTMENT INCENTIVES. LEE NOTED THAT SINGAPORE HAS CREATED A HOSPITABLE ENVIRONMENT FOR FOREIGN INVESTMENT. HE ADDED THAT GOS LIKES TO SEE FOREIGN COMPANIES MAKE PROFITS AND DISTRUSTS INVESTMENT OFFERS, ESPECIALLY FROM SOCIALIST COUNTRIES, THAT DO NOT SEEM PROFIT MOTIVATED. PROFITS ARE AN INDEX OF EFFICIENCY.

4. LEE DID NOT MENTION COMMODITIES AS AN AGENDA ITEM OF INTEREST TO GOS SO EMBOFF DREW HIM OUT ON QUESTION, NOTING THAT SINGAPORE IS MAJOR COMMODITY MARKET. LEE SAID BLUNTLY THAT SINGAPORE HAS NO ECONOMIC INTEREST IN COMMODITY AGREEMENTS. WHATEVER THEIR BENEFITS TO PRODUCER OR CONSUMER COUNTRIES, COMMODITY AGREEMENTS ARE UNLIKELY TO BE PROFITABLE TO THE MERCHANTS IN THE MIDDLE, AND IN FACT ARE EXPENSIVE WHEN BUFFER STOCK FINANCING IS REQUIRED. SINGAPORE THRIVES LIMITED OFFICIAL USE

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ON FREE MARKETS. GOS SUPPORTED THE NIEO INTEGRATED COMMODITY PROGRAM, ALTHOUGH IT SEES NO BENEFIT TO SINGAPORE AND KNOWS THAT THE COST OF THE COMMON FUND WILL BE HIGH. SINGAPORE IS "WILLING TO BLEED A LITTLE" FOR THE SAKE OF LDC SOLIDARITY.

5. SIMILARLY, FOR THE SAKE OF ASEAN SOLIDARITY, THE GOS RELUCTANTLY JOINED THE RUBBER STABILIZATION SCHEME. "INDONESIA AND MALAYSIA HAVE AN EMOTIONAL AS WELL AS AN ECONOMIC INTEREST IN COMMODITY AGREEMENTS."

6. COMMENT: GOS INTERESTS IN THE US-ASEAN CONSULTATIONS ARE BOUND TO DIVERGE FROM THOSE OF ASEAN PARTNERS BECAUSE OF SINGAPORE'S UNIQUE ECONOMIC ROLE. LEE'S COMMENTS ON COMMODITIES ARE ANOTHER INDICATION OF GOS WILLINGNESS TO DOWNPLAY ITS OWN SPECIAL INTERESTS FOR THE SAKE OF ITS BROADER INTEREST IN ASEAN.

HOLDRIDGE

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